

**FLOOD CONTROL ADVISORY BOARD  
SPECIAL MEETING  
MINUTES  
September 5, 2003**

Chairman Melvin Martin called the Flood Control Advisory Board (FCAB) Special Meeting to order at 9:10 a.m. on Friday, September 5, 2003.

**Board Members Present:** Melvin Martin, Chairman; Tom Callow, Ex Officio; Paul Cherrington, Ex Officio; Hemant Patel; and Kent Cooper.

**Board Members Absent:** Shirley Long, Vice Chairman and Scott Ward, Secretary.

**Staff Members Present:** Mike Ellegood, Chief Engineer and General Manager; Julie Lemmon, General Counsel; Dick Perreault, CIP/Policy Manager; Tim Phillips, Deputy Chief Engineer and General Manager; Russ Miracle, Division Manager, Planning and Project Management; Michael Alexander, Management Analyst; Felica Terry, Planning Project Manager, Greg Jones, Regional Area Manager; and Alicia Robertson, Clerk of the FCAB.

**Guests Present:** David Moody, City of Peoria; Jeff Minch, DMJM & Harris; Teri George, David Evans and Associates; Dave Akers Huitt-Zollars, Inc; Norris Nordvold, City of Phoenix; Paul Scafani, RBF; Alex McLarsen, City of Scottsdale; Bill Erikson, City of Scottsdale; Keith Brauer, City of Goodyear; Hernon Aristizahnl, Entellus; Jeannette Fish, Maricopa County Farm Bureau; Carroll Reynolds, Town of Buckeye; Anthony D. Barry, RBF; and Bryan Patterson, City of Chandler;

Mr. Ellegood welcomed the FCAB and extended greetings to representatives of several cities in attendance. The FCAB Special Meeting was called to re-examine the policy that our Board of Directors (BOD), the County Board of Supervisors, has had in place for a number of years with the respect to CIP cost sharing. The District's cost share requirements have created concerns among the District's Client Cities and it deserves further discussion so that staff can make a studied recommendation to the BOD.

1) CAPITAL IMPROVEMENT PROGRAM/COST SHARE ALTERNATIVES

Tim Phillips, Deputy Chief Engineer and General Manager, began by stating the format of the meeting is to facilitate discussion, thoughts and input from of the FCAB, as well as the Client Cities, on how the District deals with cost share issues. We started in December of 2002, with a Joint FCAB/BOD meeting. Issues that came from that meeting were:

1. Development of Alternative Funding Mechanisms

2. Cost Share Flexibility
3. Work Force Overlap
4. Budget Flexibility

Issue #4, Budget Flexibility, was an issue of how the District developed its budget for the upcoming year. The Needs Budget, a Target Budget, a 5% Reduction and a 10% Reduction Budget were all submitted to the Office of Management and Budget (OMB) of Maricopa County. The BOD adopted the Target Budget, which essentially mirrored last years budget.

In February of 2003, Tim updated the FCAB on the above 4 issues and in June of 2003, an FCAB Policy Committee Meeting was held to discuss the cost share issue. As a result of the Policy Committee Meeting, two items were recommended for further discussion:

1. Reduced cost share for developed communities.
2. Funding alternatives for growth communities.

Dick Perreault, CIP Manager, informed the group that a copy of the Cost Share Guidelines was included in their packets. The District continues to use a prioritization procedure to identify potential Capital Improvement Program (CIP) projects, which was developed in the early 1990s. The current guidelines include consistency goals to treat everyone equally, which is difficult to do with 25 communities and a variety of agencies with different needs; but the District does strive for consistency. Annually, the staff develops a CIP budget based on the forecasted remaining revenues identified after the operating budget is funded. The District is looking for opportunities to work with others and once a project is identified; the staff works with the communities and other agencies for implementation of a cooperative project. The District staff has been directed by the BOD to seek a 50/50 cost share. A formal policy requirement has not been established; the Cost Share Guidelines are used. Current Cost Share Guidelines allow in-kind services and where possible, the District tries to match up expertise and capabilities. The current guidelines do not allow for credit for Operations and Maintenance (O&M). The FCAB has advised the staff that O&M is not a capital cost and should not go into the Cost Share formula. Not allowing O&M credit is one of the items that the cities have objected to. The cities feel they should get credit for the O&M burden. Dick explained the strengths and weaknesses of the Cost Share Guidelines:

#### Strengths

1. Good Public Policy
2. Promotes Partner Buy-in
3. Leverage Partners' CIP's
4. Precludes Low Priority Projects
5. Fosters Close Coordination/Cooperation
6. Seamless Implementation of Projects

#### Weaknesses

1. Creates Competition Among Agencies
2. "We" vs. "You"
3. Lengthy IGA Process
4. Requires Close Coordination/Cooperation
5. Requires Flexibility
6. Perceived as "Double Taxation"

Since CIP reimbursements have started, based on reimbursement vs. expenditure during a given year, they have more than tripled in the last ten years (9.3% - 36%). It has been successful as far as the District being able to leverage the CIP funding. There have been many successful projects throughout the Valley with ADOT, the Cities and the Federal Government. The local cost share

has not precluded projects from being built, but it has delayed some projects that were ultimately built.

Discussion:

*Callow:* I take exception to you, Dick; the exception would be that there are projects that the District will not fund and that the burden to fund those projects are placed back on the cities. Any money that we have to divert for a cost share precludes us from doing projects that the District will not participate in. The District does not see the projects that do not get funded.

*Perreault:* A very valid point, what I meant was that projects that were proposed to the District, that we agreed to work with you on, the cost share was not the deal breaker.

Dick continued with the summary of the Cost Share Guidelines and concluded with saying the District staff strives to accommodate partners.

Russ Miracle, Planning and Project Management Division Manager, summarized the discussions from the Policy Committee Meeting held in June of 2003. District revenue is raised from property taxes and the developed areas in the County are the major contributors of District revenue. The concern is that in certain areas within the County, the revenue is raised and then the money is being spent in other areas of the County.

A recommendation from the Policy Committee was that those areas contributing more revenue than will be returned through CIP projects receive reduced cost share requirements. The strength of this recommendation is that it maintains a local cost share commitment while providing a better equality of benefits to taxpayers. It also focuses the CIP to existing high priority areas and new development pays a greater portion of the cost of infrastructure development. The weaknesses include lack of funding for cost share in growth areas and the amount of reduced cost share may be difficult to establish. Also, the goal to get ahead of development is more difficult to achieve and this process may lack acceptance by growth communities.

Discussion:

*Patel:* Let's not forget that a huge strength in this alternative is that when we had the Joint Meeting with the BOD they were open to suggestions of alternative financing. We now have an opportunity to go to them with something that we believe possible where the County comes up with bonding or whatever to take care of this funding problem. You are right, without us coming up with a new way of coming up with dollars this will not work.

*Miracle:* Thank you, I hope that the discussions following this presentation will re-explore the discussion from the Policy Committee meeting in June. At this point in time, there are options for us to fund in some of these other areas and we haven't explored those in detail and a discussion of that would be helpful.

Russ continued by introducing options:

1. Reduced cost share, current terms
2. Fix the cost share, equally applied
3. Fix the return of revenues to paying municipalities
4. Change the terms of cost share, an example is in-kind services
5. Allow O&M costs under total project costs

Issues:

1. Pay as you go versus bonding
2. Getting ahead of development versus resolving existing developed area problems

3. Developing CIP based on County-wide needs versus returning CIP to paying jurisdictions

Discussion:

*Patterson:* Who are the members of the Policy Committee?

*Miracle:* They are a subcommittee of the FCAB, Mr. Callow and Mr. Patel.

*Phillips:* The goal is to get the discussion going where the ultimate outcome is some direction on cost share. I have a couple of considerations for you to think about as discussion begins. There are options to this cost share issue. Can we reduce the cost share and keep the same current terms that Dick Perreault talked about? Can we fix the cost share and say it is 25% across the board, the District pays 75% and it is equally applied across the County? Can we fix the return to the municipalities that are paying?

*Callow:* Are donor communities donor communities because they don't have the match or because they don't have projects?

*Phillips:* I think it is more project driven. The City of Phoenix is an example, there have been projects done in the past so a cost share was being paid and maybe they were getting the return on investments. As projects moved to the out skirts they are still the major funding source from the City of Phoenix yet others are getting the benefit of those dollars. The City of Mesa for example, for years was a donor city; in the next couple of years they will be a receiver city because the projects will be in their community. The larger cities are probably more of the givers than the receivers and once we get out ahead of development then those cities become the donor cities.

*Patterson:* Another factor that plays into this is what the local government requirements are for retention. On the Higley Drainage Study for example, the original technical work was done, but there was no credit built into the technical analysis to fulfill that requirement. Another factor is ADOT with the depressed freeways. ADOT has become a major interceptor for storm drainage and flows. There are major investments that ADOT is making that may take away from what the District is doing. There are differences in the communities throughout the County based on dairy farms and agricultural areas, etc.

*Callow:* One of the differences is in the City of Phoenix there was no on- site retention required when much of the City was developed. The difficulty the City of Phoenix gets into is that our older section of town is really big. In the new developments, we are providing on- site retention, but we have much that was built back in the 50's and 60's and it was built in the County, there was no drainage review at all. In the new areas, our drainage fits right in with what the District does.

*Patterson:* Our (City of Chandler) view on that is that there should be greater participation from the County in dealing with those areas.

*Callow:* We (City of Phoenix) would agree with that.

*Patterson:* We (City of Chandler) are dealing with new development now and looking for help in the old areas.

*Ellegood:* What I think I understood you to say is that because in your community you've got rigorous retention basin systems, which then reduces the need for infrastructure that we might need to participate in, some credit should be given to your community because of this reduction. I don't know how to factor that in, but it could greatly reduce the amount of District investment that has to be made.

*Phillips:* It is quantified because more recently we are basing the infrastructure on future conditions as opposed to existing conditions. The original Higley Drainage Study looked at existing conditions and developed the infrastructure then it was recognized that it was developing so fast that future conditions was probably a better model, which downsized the facilities anyway, there is a consideration in how we do the planning. When there is onsite retention that is occurring, we take advantage of that existence.

*Martin:* The City of Chandler has had two or three major projects from the District in the last two or three years contained in the old part of the City. There has to be a happy medium somewhere and someday, this has to stop because of the development causing flooding in the old parts of the city.

*McLaren:* You talked about donor communities do you have figures available over the years of amounts contributed by the various communities and projects that have been done in communities?

*Perreault:* We (District) have the information, one of the key things we need to do is decide over what period of time to look at. If you take a snap shot of any one to five-year period, I guarantee there will be imbalances everywhere. If you look at something over a longer period of time, maybe 10 or 20 years then it starts to balance out. That is what makes this discussion so difficult from our perspective. How do you define a donor or a receiving community?

*McLaren:* I think it would be valuable to look at over a period of time, I would agree that the last 2 to 5 years is not an adequate time period. I think there was also discussion earlier about developers in areas funding infrastructure in newly developed areas. In effect, the property owners would need to submit master plans and infrastructure improvements in those areas to the various communities. Communities with older areas, like Phoenix and Scottsdale, you could look at differently from the areas that are developing. Over the years in downtown Scottsdale, we have done two big projects with the District, which were really beneficial to Scottsdale. I'm not sure if there is some way you can differentiate between the older portions of the communities and the newer development.

*Patel:* I'd be very apprehensive about a backward study because of annexation. We may want to look forward at this point recognizing that there have been inequities in the past. And also acknowledge that it does not make sense to spend the money to get that exact figure. Why? It needs to be forward looking; we shouldn't be spending resources to study what has already happened. The real issue is the Client City source of funding doesn't match up with ours. What does that mean, that we exclude that project because of lack of funding? Earlier it was said that projects are not being excluded because of lack of funding and that is a part of the evaluation process of our CIP program. So we can't really honestly say this is not a problem. I'm sure the cities are very quick to say that this is a huge problem. We need to try to take advantage of an opportunity of the BOD opening the door for alternative funding and solve the problems between old and new areas.

*Martin:* I can honestly say that for the past 5 or 6 years I've reviewed on the Committee that scores the projects that are submitted by the cities. The committee is very fair in the way the projects are scored. They are all brought before the FCAB for approval once the scoring process has been completed. I wondered before I was on the Committee how the projects were scored, I didn't think it was fair and it did not make sense that the District was involved in it. When you are not sitting on the Committee you don't understand how it is done, I didn't understand it until I sat on the Committee. It is an equal, fair share way of scoring projects.

*Ellegood:* On the surface it may appear that good projects don't get built, but to underline what Chairman Martin is saying, I can't recall any really good project that was dropped off the CIP because a Client City could not fund it, we found a way. I'm reminded of a project done recently in Guadalupe, we found a way to build that project.

*Moody:* Being the receiver City (City of Peoria) no matter which way you look at it, I'm a little concerned after hearing the discussion during the presentation on the implication on how to get ahead of development. The assumption is that there are ADMP's for the entire county. So even in the growth areas, there are ADMP's that if put in place or a development process implemented or set aside that would eventually solve the flooding. Maybe one way to take a look at it, assuming there is a different split for a donor city and a receiver city, if a city is implementing the required drainage requirements and the ADMP's to factor that in to try to be fair compared to the other issues. If for instance, I say to the District that I'm not going to do this project or do what

the ADMP says, should the District bail me out if disaster occurs? The other question or concern that I have is that I struggle with the O&M portion of the District, in that being adjacent to Sun City and understanding that the District maintains drainage basins and that is part of what comes off the top before we get to the CIP. I have a major concern with how that plays out, because to me, Sun City maintaining their local drainage basins ought to be an HOA responsibility and ought not to be a District concern. The District is truly a regional body doing regional drainage. I don't know how to address that issue, because if the District can do it for Sun City then why not do it for my drainage basins in Peoria and the other cities as well. I see an inequity there.

*Patel:* That is a very good point, another big one is when we are doing projects in the unincorporated areas we do not have a cost share partner. The county does not come up with any dollars, it is the entire District. The other point that you raised, at previous discussions we did acknowledge that even with the donor cities that have large areas that are fully developed, it is conceivable that projects would be treated differently. The problem is going to be in urbanized areas, the cost share will be lower, recognize the fact that a tax base exists but if the project is in a growth area the cost share is going to be higher. It is going to be difficult to figure out how to be able to fund the countywide issues and projects.

*Ellegood:* One of the best examples of countywide projects is the 23 dams that protect the county. Our current plan is to seek Federal dollars and the District pick up the cost share and we would not be asking Mesa, Gilbert or Chandler or any of the East valley cities to pay for any of these. Clearly we have structures in Pinal County that protect Mesa, Gilbert, Chandler and the Southeast valley.

*Martin:* Pinal County has a flood tax; I don't know what they are doing with their money.

*Ellegood:* These structures protect about 15,000 acres of vacant state land and the Central Arizona Project (CAP) but most of the benefit goes to Eastern Maricopa County.

*Patel:* How do we deal with the outfall situation? The large water sources have to be channelized wherever there is going to be an ADMP. Is there a portion based on watershed areas?

*Ellegood:* The example there is the Bethany Home Outfall Channel (BHOC) that was a project portioned between Phoenix and Glendale. We had some interesting discussion with Grant Anderson when he was in Glendale; he was willing to pay for a portion of the additional capacity that his city contributed.

*Patel:* But typically is it based on watershed areas?

*Perreault:* We (District) try to have a logical technical basis initially and sometimes that works and other times we sit down and try to find a middle ground that we could agree to. In the case that Mr. Ellegood mentioned, we sat down and said we don't care where the facility is being built whether it is in Phoenix, Glendale or in unincorporated county, we were in for 50% and we asked each of the communities to contribute 25%, it made the accounting and budgeting a lot easier. Ultimately when the project is done and the parks are in place, people are not going to care about who paid for what. Phoenix and Glendale are both getting good projects; the system as a whole is serving the cities. We start off with a great idea and a partnership but it takes awhile to get it all settled. Back in the 80's when we were dealing with Glendale and Peoria, we set the tempo for that. The District had regional drains we wanted to build and we told the cities we were in for 50% and asked for 25% from each of them and that is how we did it.

*Callow:* It turned out we (Phoenix) did not have big dollar variances. There were lots of different alternatives and they were all relatively the same numbers, it just depended on when you paid money. We are paying money upfront for projects that are in Glendale then later on they are paying money for projects that are in Phoenix, so it was cash flow driven.

*Patterson:* I think the artificial cap that the District has on the capital budget, I'm not sure what the dollar figure is now, about 45 million dollars, has not kept pace with the need so the cities have had to come up with additional money to help supplement capital improvement. On the other hand the tax levy has been coming down pretty dramatically during the last several years.

The County takes money out of one pocket and puts it in another and then asks the cities to come in and help.

*Ellegood:* That is a valid perception. In 1997, shortly after I got here, I was asked by our BOD to take whatever efforts I needed to reduce the secondary tax rate from the existing \$.34 to \$.29. The reasoning behind that was that at that point the jail tax had not passed, the County was under a mandate to construct the jail, so consequently the money had to be found. So the County felt that with the 5 cents over a period of time they could fund some of this. We put our heads together and with the assistance of the FCAB and a number of other people we determined that a \$45 million cap on revenues generated by the secondary tax rate would meet our obligation, at the time, to all of our Client Cities, allow us to continue to operate the District, and fulfill our mandates. At that same time the BOD directed that we institute a cost share approach. Currently the tax rate is \$.21 it has been held steady now, so we are generating more revenue than \$45 million, in fact it's \$51.6 million. When we put our budget together, typically County Administration asked that we keep our operating cost to where it was the year before, roughly \$22 million and the rest of it is put into projects for our CIP. One of the factors that should be understood is that we have a substantial fund balance, we spent the balance down a couple of years ago but through a number of ways, including the very profitable sale of some excess property, the fund balance is now quite substantial, its back up over \$30 million. If a Client City comes to us and says we really need to build something, we are in a position to help them. There is a balance here, while what Mr. Patterson says is correct, the net result in terms of building stuff has not really been substantially affected.

*McLaren:* One of the options that are being looked at is funding opportunities for growth communities. Is the District committed to enter into either a Community Facilities District (CFD) or Improvement District to sell bonds?

*Patel:* Based on the BOD meeting we had in December of 2002, we were going to look at that.

*McLaren:* To me it would seem that in the development communities it would be possible to set up entities which were either a CFD or an Improvement District, even though there would be jurisdictional problems with the local jurisdictions. I don't think those would be insurmountable, it would be a way to fund those improvements in those growing areas which will then free up money and would not be taking money from developed areas in the older communities.

*Patel:* Is that kind of an approach something that you can work at your end? We don't have to get into the details of how to create it, that is someone else's problem. They said they are going to look at it and they think it is possible.

*Moody:* One of the issues, CFDs work great if you have vacant land and you have ownerships, especially with undeveloped land. I know from experience with work with the District, because we have a lot of County islands that were built a long time ago, there is no drainage infrastructure. But to create a CFD in that particular area means that you have a bulk of county one acre owners holding the tax levels to do drainage that they are not going to do. CFDs may only work if you have large tracks of land that are basically undeveloped and you are trying to do a regional drainage problem.

*Callow:* The disparity of having, lets take Sunnyslope for instance, here's an old section of town where people have been paying forever into the District. There is no way they are going to tax themselves another time versus a square mile of state land out in the middle of nowhere being developed. The square mile of state land is paying nothing into the District, why should they receive 100% funding to be taken out of a floodplain, yet the folks in Sunnyslope that have been paying forever, maybe they shouldn't have to pay.

*McLaren:* Undeveloped state land has additional problems; you cannot put a lean on their property. But what I think you could do when they get ready to dispose of it you could have worked with the State Land Department to say that there is a possibility of setting up something and have a state statute which allows them to do this. I would agree that it is much easier to set up a CFD on vacant property.

*Erikson:* This last two weeks we (Scottsdale) have been working with city managers and deputy city managers, and CFOs because there has been a mandate to Scottsdale to fund storm water, the whole bundle not just flood control, as an independent dedicated funding source. We've been working on this about a year with consultants and we find that probably the best answer to date in the situation we are in with development is a User District. We are going through the process of seeing what revenue may or may not generate. One of the problems in this District is that a lot of new capital by State Statue cannot be implemented. You can use it for maintenance, administration and planning. Maintenance you can use for the old parts of the city, either upgrading or doing replacements, but you get to the point where you've got to break your capital off in one way or another. Our general fund for the most part has been doing capital along with our revenue bonds and highway bonds. We've been looking at this and one question comes up again and again from all the sources, why don't we have the District contribute to a User District? No matter the answer you give this is a tax that we may or we may not receive benefits from. We can lay out all the benefits that we have received from the District, but again, maybe we should not look back, there is a long mind set that goes back 35-40 years and I don't think we can do away with that. One of the questions that was posed to me was could we have the District support a User District? Basically like a water and sewer, even bill it through water and sewer. We have tried to get in before the government got in and build some flood control projects but the City Counsel did not like that idea. The nice part about this is that the private sector development will be building all but about 1½ miles of it. It happened to work out well because there was some pretty good development there. It is a mandate in our City and I'm not real sure that it isn't going to be for some of the other cities that they develop an independent dedicated fund for storm water because we have clean water acts just jumping down our necks. I don't think we can easily get away from the mindset of who has been contributing and who has been receiving. Would the District with the BOD support revenue that was based on a utility?

*Martin:* How does the City of Chandler do this?

*Patterson:* We have not really talked about that concept but we have talked about our impact fees and how to assess those, but we haven't looked at a User District.

*Moody:* The City of Peoria does not do an impact fee for drainage. There are other ways to solve drainage capital, mainly NPDES, which is the mandate we will all be following now. We are looking at an alternative very similar to what the other cities are talking about. One solution is if you can't set up a utility tax, to pay user fees and include it on the water bill. NPDES is primarily O&M and when you hear this discussion from the District, O&M does not play in the game and NPDES is 99% O&M, it is cleaning up, yes there is some capital, but the capital is probably not regional in nature.

*Martin:* If any one from the public has any comments, you are welcome to speak, raise your hand and I will certainly call on you.

Comment from the Public

Discussion:

*Nordvold:* My name is Norris Nordvold, I'm with the City of Phoenix, and I do the Intergovernmental Programs. I just wanted to relay there was a Tucson resolution, which was different from the past resolutions to opt out totally and pull out of the District. This was more of a fair share resolution; it was a very pretentious discussion where you have the donor and the receivers fighting with each other within Maricopa County cities. I commend the FCAB if you can come up with some method where as a donor city, the City of Phoenix can get some portion back. If we could solve first the cost share issue and also provide some kind of fair share maybe in those areas that do not require development, and in the developed areas require the developers to put in a portion. I don't know if an organization can mandate that or not. I wish you luck in coming up with some kind of recommendation.

*Cooper:* Was the resolution adopted?



*Nordvold:* The resolution ended up being called Fair Share and was drafted by Tucson. It asked for 80% of the money that was contributed to come back to the city that contributed it. We are not locked on any figure; we are looking at some kind of fair share to come back to the donor city. The resolution failed I think by a vote of 42-12, 87 cities abstained.

*Lemmon:* Does the difference in how Pima County operates and how Maricopa County operates in regard to their flood control districts; do you think that plays into this? We have observed that Pima County operates somewhat differently in terms of everything they do; I don't mean that negatively, it is just different. Does that discussion come up when the cities are talking about that? It seems to me Tucson is always unhappy.

*Nordvold:* Pima County Flood Control District basically takes care of the foothills area. Tucson has been unhappy for about the last 10 years. I don't know exactly how they operate, Coral Valley had flooding issues and their mayor was upset they had not gotten a project in over 10 years. We (Maricopa County) do have a better system because we have an Advisory Board. I'm raising this issue hoping you can get some kind of recommendation this fall so we don't have to move forward with legislation.

*Patel:* It is interesting that a lot of the client cities are looking at creating a User District or some funding source and as a taxpayer it is not going to take a rocket scientist to figure out that I'm being asked to pay into 2 different pots for the same thing. With our State's history of anti-tax groups it won't be long before we have these groups going to the legislature asking why this is happening. If the city I lived in came up with a user fee or whatever they want to call it, I don't care how much money it is, I will be upset. We have to be mindful of that.

*Martin:* The cities are going to have to work out something to work with the District if everyone stays in the bucket. If we lose Phoenix and Scottsdale, Buckeye or Chandler or whoever out of the flood control taxation then it's a different world.

*Ellegood:* Mr. Chairman you are absolutely right. It is important to understand that the District provides our Client Cities and the citizens of the County more than Capital Improvement Projects. \$22 million per year goes into our operating funds, which goes to operate the facilities that we currently have. We provide a very complex interconnected Flood Warning System. The City of Scottsdale is a major partner in the Flood Warning System, other cities are not as sophisticated, but we still provide them with warning. We also have an extensive Public Education Program; we are the regional leader in the NPDES Stormwater Phase II. All of which provides benefits for the cities, which otherwise they would have to pick up the cost or choose not to participate in. That coupled with the fact that the water shed boundaries are completely different boundaries than the political boundaries suggest that we need to stay all in this bucket as Chairman Martin pointed out. We need to continue to address this issue of an equitable cost share, since it appears to be one of the things that bother the cities. A question that I would ask the BOD and I would include in that representatives from our Client Cities, is this issue, should there be a cost share? It may be an academic discussion in that the BOD says, yes there has to be. But, we've got a sense of the FCAB and the cities as to the appropriateness of a cost share that might be a starting point for the discussions.

*Martin:* Has it ever come up prior to my years on the FCAB, that the scoring of the project was evaluated on the fact that the City of Scottsdale would do 50% and the City of Peoria would do 25%, would that make a difference in the scoring of the projects for the CIP.

*Perreault:* The scoring in our prioritization procedure is only to determine if we should recommend a project for inclusion into the CIP. Obviously, if a city wanted to volunteer to pay 60% then they would score a little higher but that is not a determining factor on whether we do a project or not. I believe it is only worth 5 points out of the total 100.

*Martin:* I know that a project did not get into the CIP based on how much the city was willing to cost share since I've been here, but I wondered if it had ever been before.

*Perreault:* We have been doing this since 1993, prior to that we did not have a system and phone calls would be made to certain offices and projects would either happen or not happen, that

created havoc for the staff and budgeting. Now that we have this process we can at least address all the projects at the same time.

*Martin:* If we did not have a cost share, how many projects does that affect in your area? There is only so much money in the pot, to get the projects done would we have to have some type of cost share. Is there any administrative budget cuts at the District that would help put more money in the projects?

*Cooper:* What the County has done has robbed Peter to pay Paul and of course the District is Peter. Establishing the cost share is the biggest thing that has caused the double taxation issue. District dollars are distributed on the basis of need. It is the fiscal policies of the County that is causing the problem. When they were faced with the historic perspective of doing the jails they reduced the levy and spent it in another area and they have done the same with the Library District and other Districts that they have so that they can keep the tax rate low and spend more money for their general fund. There seems to be a real disconnect in terms of the public policy between what the true needs are, what we should responsibly be doing to solve our flood control problems, and having a big number out there to work on as a group to solve those issues and stay ahead of the curve. And then deciding what the levy needs to be set at to support those critical paths that should be taken. Right now it is all backwards, the BOD tells you what the levy is and then you have this amount of money, go use it the best you can, and by the way not only are we going to reduce the levy and impact the amount of money you have but we are going to make the cities start cost sharing. So it is a double squeeze, if the BODs are unwilling to address dealing with this process, all the work we try to do to find other ways to solve these problems is not going to benefit anyone.

*Moody:* Do we have to report to the BOS? Can the District pull out of the County? If you think about the law that created Flood Control, do you have to report to the County Board of Supervisors? If I'm understanding this you are an advisory board, the BOS can listen or not, so it is purely what the BOS looks at as to what is their priority, which is not right or wrong and if they don't agree with the District, so be it. But has anyone here done that research?

*Lemmon:* ARS Title 48-601 is where flood control is under special districts. Our statute says that the County Board of Supervisors shall be the Board of Directors, so to change that you would need a statutory change.

*Moody:* That answers my question, so that is one avenue, maybe go to the Legislature to create something else to solve the issue. If we are talking equity and there is consensus that there needs to be an equity but it doesn't happen, that is one way of doing it.

*Callow:* Wasn't that pursued last year in the legislature?

*Nordvold:* It was an Opt Out bill.

*Patel:* That is different than creating an independent board which keeps all the cities together.

*Moody:* Drainage is regional, it knows no boundaries.

*Martin:* I'd like to ask each of the cities what they think about the cost share, continue it or does it hurt us.

*McLaren:* I would say that we need some kind of equity, there needs to be an account of what the project is and where it is in the city and we need to take into account the amount of dollars the community is willing to let the District take. Yes we need to cost share but it needs to be tempered with the location of the project and how much the project is. I make a suggestion that a special committee within the FCAB look at this, there seems to be a need for alternative funding. I'm not sure that it wouldn't be a good idea for the District staff and the city staff to get together and talk about that some more. I'm not sure how the FCAB would feel about that but that could be one suggestion.

*Martin:* Speaking for myself, I don't think there would be a problem as far as the Board is concerned. We sit here as an Advisory Board to the District and we get overruled sometimes by the BOS.

*Carroll:* I think cost sharing is essential, if you offer any one of our cities free money they will be more than happy to take it to do a project, but all of a sudden the city does not have the commitment in the project, I think similar to what Mr. McLaren said, it needs to be tempered in the type of benefit that is derived. The City of Buckeye is a growing community with lots of open space and land and there is a lot of opportunity to have developers paying their part of project. Developers do not look at the whole picture and perhaps a method that allows them to join in cost sharing or have a User Fee that they buy into to allow the District or the Town of Buckeye or another community to be able to build a larger facility that meets the regional needs with our participation. I would like to add one more thing to cost sharing, it's not just an equity, we need to be responsible for our needs, but there are communities and Buckeye in some ways is one of those communities where there is simply not funding available to meet the demands or requirements of the flood control areas. As a result there perhaps in cost sharing could be other factors included in the evaluation to look at the purpose of the project, the benefit of the project and the condition of the community to assist in helping that. The other piece of something I picked up in the cost share policy was to remove in-kind services from consideration. I think those are actually important in communities, they are important politically but there is also an importance that we have staff that is going to develop and operate this project until its finished and have their complete involvement throughout the project, we will have a better opportunity of a long term success.

*Martin:* Mr. Moody, how does the City of Peoria feel?

*Moody:* I kind of agree with both. One of the issues that I still think needs to be addressed is again if you've got the ADMPs and the WCMPs that do solve the flooding and also if the city is enforcing, like the City of Chandler, master drainage ordinances and things of that nature, that should count. Maybe that is a count toward cost share that would reduce the amount the city cost shares. The flip side in a growing area is that a lot of the growing cities today don't have control of the areas that are in their planning areas in Maricopa County. So when you think about an ADMP you have development that may or may not be occurring in Maricopa County that will be in the City of Avondale or the City of Buckeye, how do you enforce getting, if nothing else, at least reserving the land and trying to implement. It may very well be that you need to go to Legislature to get the laws changed to allow you to do more than you are allowed to do today through the development effort.

*Martin:* Mr. Patterson is going to have to leave at 11:00 a.m., so we will ask him to share his thoughts next.

*Patterson:* Our (Chandler) view would be to have the cost share be an overlay, on a needs and technically based ranking. One way to approach it is to set aside a big pot of money out of your budget for matching projects so that someone can't come in and buy their way in and buy a program. If someone wanted to bring a project forward into the budget they had a match, otherwise it would be ten years out. For starters, I think the technical need for the project should be in the consideration. I understand the way it works now is if you don't come in with matching money you are pretty much out of the program.

*Martin:* The initial scoring does not involve money. The original scoring ever since I've been sitting on the Committee takes the value of the project and then scoring in several different directions, from there it goes into the cost share. From the Committee's standpoint the cost sharing does not effect the scoring at that point.

*McLaren:* There are perceptions out there that if you do not have matching funds don't even bother to go to the District, because you will not get funding. There is another issue as well; sometimes it is knowing whether it is a transportation project or a District project. We have submitted projects in the past which we thought were District projects and were viewed to be transportation projects and we did not receive any funding from the County for that.

*Ellegood:* I'm sorry if there is a perception out there that if you don't bring money you are not going to get your project approved.

*Callow:* It is the truth it is not a perception.

*Ellegood:* I was not aware of that, we have had a number projects that have been submitted where there is no matching funds, one of our client cities said, our cost share for this \$3 million project is pile of dirt valued at \$250,000.00. As a CEO of a public agency and going back to my experiences as a consultant, I share some of the concerns with no cost share, which, were voiced previously. I've seen to many cases where cities will come in a very aggressive fashion saying we want our fair share and you have to pay the whole thing and if you build this in our city you have to do a list of things. Just recently for example we are doing a project in Peoria where we are paving part of the New River Channel, to make maintenance easier the City is picking up the O&M for the project and someone came along and said we want the concrete stained. The City came to us and asked if we could stain the concrete. We said yes we can but it is going to cost \$2.00 a square foot additional money, are you going to cost share. Suddenly we become partners, in the real true sense of the word. That is the kind of partnership that we try to work for, rather than unilaterally being a gifting agency.

*Patterson:* Those kinds of studies that would enhance a project are certainly worthy of a cost share consideration. I would add consolidate a project and speed it up.

*Martin:* Is the conclusion that cities should have another meeting with District staff to look at alternative funding and some kind of cost sharing?

*Callow:* Cost share should not be ruled out, I like what Mr. Patterson said about an overlay. I don't think it should be mandatory, I think it should be something that helps move a project ahead in the priority. I think that if you don't have the cost share it should not preclude you from coming to the table to asking for a project. And frankly, Mr. Ellegood, right now it does. If you don't come forward with a 50% match, I'll use the Laveen Channel as an example. The District dreamed that project up, you marched that project out and got everyone engaged and then the District came to the City of Phoenix and said where's your 50% match. The City of Phoenix had to come up with \$8 million and we didn't have it. The political entities view cost sharing as double taxation, plain and simple. Alternative funding sources, if we go there will be double taxation, just putting the tax somewhere else, it won't be perceived as helpful, it will be moving the tax over somewhere else and the County will use it for something else.

*Patel:* This Board has turned projects down because we felt there was not enough of a cost share and that is a question that comes up because that has been pushed so hard. If we could come up with a method where projects are looked at on its technical merits and the service it provides first, and cost share is an overlay, taking into account whether the project is in a developed area or a developing area. If we are looking for higher cost share than we've got, then we need to come up with an alternative source of funding. Yes, it is double taxation but again you are coming up with new dollars to accelerate that project that would otherwise have to be put off.

*Cherrington:* If bringing matching funding is a requirement like you say, how did Guadalupe happen? How did the FCAB approve the project? It seems like you're right, if the municipality had money then they would have to cost share.

*Callow:* Guadalupe would never have 50% matching funds. If we waited for funds, the project would never happen.

*Cherrington:* But the City of Phoenix couldn't come to the District and say they don't have money, it is hard to make it fair. We talk about Pinal and Pima County, are we the only county in the United States that has this problem?

*Ellegood:* There are numerous flood control districts all over the Nation, California has one in virtually every County, which are very similar to our District in terms of the dollars they spend and the work they do.

*Callow:* Are they more independent?

*Ellegood:* I think they are more independent.

*Patel:* They are able to set their tax rate based on needs.

*Ellegood:* I don't know of another county that has it linked, I know Denver has an Urban Drainage District, which consists of 5 counties.

*Lemmon:* Also many flood control districts in other parts of the Country are Water Conservation Districts at the same time because there is a lot of water so they are building dams for flood control and water supply. They are multiple purpose more than we are very much a single purpose. Our statute is carefully crafted so that we cannot be a Water Conservation District.

*Martin:* There is definitely a need for cost sharing and the cities would like to meet with the District staff again and then come back to the FCAB.

*Cooper:* Your generalization depends on the audience. If you were sitting here speaking to the City Counsels, who these folks work, for they would say there is definitely not a need for cost sharing. I can tell you from the political side of this there is a lot of concern about double taxation. It will never go away unless the communities structurally change something that we are doing here. They expose us from two different angles and they don't seem to ever want to let go, this year the budget process was not fun. The BOD is really asking for trouble. It is one thing to say yes we should have cost share if an agency wants to accelerate a project or wants to do some aesthetic improvements or make it bigger, which is fine, that is voluntary. But the typical, regional flood control project the elected officials do not believe there should be a cost share. That is the reality, the folks that are here are the staff and they want to get the project done, their City Counsels would have a different view.

*Patel:* Wouldn't the City Counsels also look for ways to speed up a project and consider dollars to do this?

*Cooper:* That is fine, that is their choice.

*Patel:* There are flooding problems out there that we need to address.

*Martin:* The other side of this is that the BODs don't really realize that if some of the cities that are thinking about pulling out of the Flood Control District do pull out, the consequences are not good. There has to be a compromise somewhere.

*Patel:* If we take cost sharing off the table, how do we get money for unincorporated areas? Before we would go back to our BOD and say we need to do a project and we need county dollars, now since it is funded we will have to trust the County agency be fair and not give priority to a project in an unincorporated area.

*Callow:* What would prevent that from happening today? If they wanted to do all the projects in the County, they would submit them.

*Patel:* How do we keep it fair?

*Callow:* You keep the fairness the same way we are doing it today. If it gets too unfair the cities will be back at the legislature.

*Phillips:* It looks like we are looking at a policy that has some level of cost share, whether it is 50% or 0%, some level of cost share, next the cities that are contributing to a project should get something back, whether it is a fixed percentage or not getting something back. The third issue is funding and staff, in order to do projects you don't need necessarily more money you need people to work the projects. We need to find money, is it through an increase in the tax rate, revenues from some other source or is it an alternative funding mechanism. The ability to spend that money requires the human resources too. If that summarizes, then District staff can get direction to move forward.

*Patel:* I think you are on the right track, I don't think we should define what the alternative should be. That should be a challenge for the County Administrator's Office, just say that here are some things to look at.

*Phillips:* There needs to be money to meet the demands of the Flood Control District.

*Patel:* The County is not paying its fair share we are asking the cities to fund the projects. As far as cost share there should be an overlay and that needs to be defined.

*Martin:* A rock solid regional plan that includes everyone's area and when the developers come they have to adhere to it.

*Callow:* The City of Phoenix has no drainage in Arcadia; I expect we are getting a lot of tax revenue out of those houses in the area.

*Perreault:* We (District) have a plan for Arcadia.

*Callow:* Yes but there is no developer that is going to come along and build it.

*Perreault:* It is a totally developed area and the people don't want to get their streets torn up, so the project will never be built.

*Callow:* I think we can get the street torn up.

*Martin:* There are some people that live on the side of a mountain that will never have a flooding problem, but yet a flood control tax is paid.

*Ellegood:* I really appreciate the thoughts and comments from everyone today. I think everyone understands the issues. I've been in a number of meetings with City Counsels in which this issue was brought up; my answer is that it is a policy issue. Have your elected officials talk to my elected officials and that is how it will get solved. I'd like to point out that we will ultimately developed a preferred alternative to take to our BOD, but in order to make it work, our client cities and the FCAB also need to go the BOD independent of the District staff. I can anticipate from my understanding and having worked within the County system for the last 6½ years that any change in the cost share procedure or any increase in the tax rate is going to be a very, very hard sell.

ACTION: No action required – for information and discussion only.

## 2) OTHER BUSINESS AND COMMENTS FROM THE PUBLIC

There was no other business or comments from the public.

The meeting was adjourned at 11:25 a.m. by general consent.

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Scott Ward  
Secretary of the Board

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Alicia Robertson  
Clerk of the Board